PROVINCE OF SASKATCHEWAN

09-10

ANNUAL REPORT

PUBLIC EMPLOYEES PENSION PLAN

Table of Contents

Letters of Transmittal 2

Chair's Comments 3

Financial Highlights 4

Introduction 5

Investments 6

Plan Administration 17

Public Employees Pension Board 19

Strategic Goals 22

Strategic Initiatives 23

Risk Management 30

Management's Report 33

Financial Statements

Auditor's Report 36

Statement of Net Assets Available for Benefits 37

Statement of Changes in Net Assets Available for Benefits 38

Notes to the Financial Statements 39

Schedules to the Financial Statements 53

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Letters of Transmittal

His Honour, The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I respectfully submit the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2010.

Rod Gantefoer
Minister of Finance

The Honourable Rod Gantefoer
Minister of Finance

Sir:

On behalf of the Public Employees Pension Board, I have the honour of submitting the Annual Report of the Public Employees Pension Board for the fiscal year ending March 31, 2010.

Kenneth R. Horsman
Board Chair

Chair's Comments

On behalf of the members of the Public Employees Pension Board (the Board), I am pleased to present the 2009-2010 Annual Report of the Public Employees Pension Plan (PEPP). This report details the activities and accomplishments of our strategic plan as well as the financial and investment information critical to the Plan.

PEPP entered the 2009-2010 reporting period with optimism. The Plan's investment option returns began their ascent after the collapse of world markets in 2008. All funds, with the exception of the Short-term Bond Fund, saw larger, double-digit returns, with the year ended March 31, 2010 recorded as one of the best in the Plan's history.

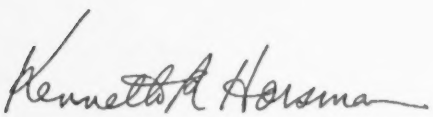
The Board remains focused on acting in the best interests of PEPP members and operating the Plan to the highest pension industry standards. In 2009, the Board participated in a benchmarking survey that compared the Plan's governance practices to similar private and public sector pension boards. The results of this survey are anticipated in 2010.

Communicating information about the Plan and especially the advantages of the Plan to members continues to be a priority for the Board. A variety of presentations, delivered by Retirement Information Consultants, were created to highlight the diverse services available to members and employers and to broaden understanding of the Plan.

The Plan's convenient and easy-to-use PEPP *Access* and Retire@Ease online information tools were enhanced in May 2009. PEPP *Access* online services users now have the option of making online investment fund changes. Retire@Ease users can save their retirement calculations and use expanded options in order to make those calculations.

Preparation began on a Retire@Ease statement to help members better understand retirement planning by using their own PEPP information. The Retire@Ease statement — planned for mailing in June 2010 — will encourage greater use of the online planner and increase awareness of retirement planning.

It is my privilege to chair the Public Employees Pension Board and to present the 2009-2010 Annual Report.



Kenneth R. Horsman
Board Chair

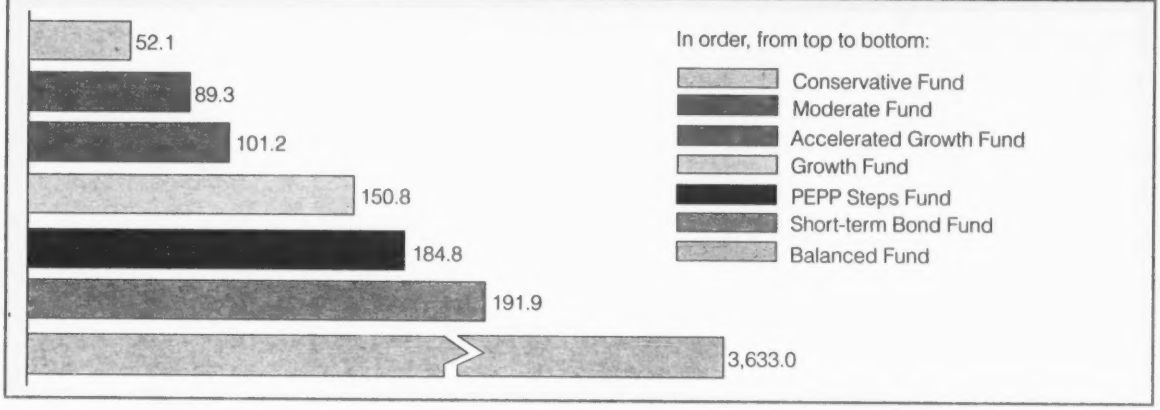
Financial Highlights (as at March 31, 2010)

PEPP - Investment Option Summary

	Investment Option							
	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	Short-term Bond Fund	PEPP Steps Fund	Total
Assets ($ millions)	101.2	150.8	3,633.0	89.3	52.1	191.9	184.8	4,403.1
Gross Rate of Return (%)	28.0	24.4	21.4	17.8	11.7	3.8	n/a[2]	
Fees - PEBA & Board[1] (%)	0.1	0.1	0.1	0.1	0.1	0.1	n/a[2]	
Fees - Investments (%)	0.3	0.3	0.2	0.2	0.1	0.1	n/a[2]	
Net Rate of Return (%)	27.6	24.0	21.1	17.5	11.5	3.6	n/a[2]	
Benchmark	31.0	26.9	23.1	19.2	12.0	3.2	n/a[2]	

[1] Of the 0.12% fees shown, the Board accounts for less than 0.01%.
[2] The rate of return and fee data for the PEPP Steps Fund varies with each step.

Assets by Investment Option, as at March 31, 2010 ($ millions)



Introduction

The Public Employees Pension Plan (PEPP) has more than 80 participating employers and approximately 50,000 members. Participating employers include the Government of Saskatchewan, Crown Corporations, agencies, boards and other public institutions.

PEPP is a defined contribution pension plan, also referred to as a money purchase plan. In PEPP, benefits are based on accumulated employer and employee contributions plus investment earnings. These contributions, plus any return on investment, are used to provide an income to members upon retirement. Because of this, PEPP is by definition always sufficiently funded.

Enrolment in the Plan is compulsory for employees who hold a permanent position with an employer participating in the Plan. Unless otherwise specified in an agreement non-permanent employees may choose to join the Plan at any time.

Employee and employer contributions are calculated as a percentage of the employee's total gross regular earnings. Unless otherwise specified in an agreement, the contribution percentage is five per cent. Member contributions are made by payroll deduction.

Contributions to PEPP are tax deductible to a maximum set by the *Income Tax Act* (Canada). The member does not pay taxes on contributions or the accumulated investment income until he or she withdraws an amount from the Plan.

Contributions are forwarded to the Plan and are used to purchase units in the PEPP investment option of the member's choice.

Unit values are declared daily. Once a new unit value is declared, member accounts are valued using the new unit value and transactions are processed at that value. Return on investment is reflected in the changing unit value.

The amount the member receives at payout or transfer is calculated using the unit value in effect at the date of payment.

Normal retirement for Plan members is age 65. Members may retire early and begin to receive retirement income at age 50 or older.

Members may defer purchasing a retirement income option after retirement. The *Income Tax Act* (Canada) states that a pension must begin by the end of the calendar year a member turns age 71.

PEPP is established and governed by *The Public Employees Pension Plan Act*. It is registered as a pension plan pursuant to *The Pension Benefits Act, 1992* and the *Income Tax Act* (Canada).

Investments

Overview

The Plan offers members the choice of six asset allocation funds:

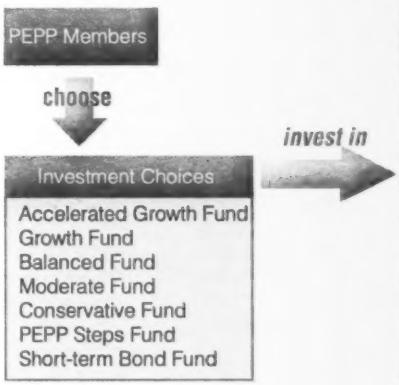
- Accelerated Growth Fund
- Growth Fund
- Balanced Fund
- Moderate Fund
- Conservative Fund
- PEPP Steps Fund

Members may invest in the Short-term Bond Fund, either in addition to, or instead, of investing in one of the six asset allocation funds.

Asset allocation funds invest in a mix of asset classes, including equities (Canadian and foreign), real estate, fixed income and cash equivalents. The mix depends on the fund: more conservative funds are weighted more heavily toward fixed-income investments, where more aggressive funds are weighted more heavily toward equities. The Short-term Bond Fund is invested solely in fixed income investments.

Equities offer the greatest potential return, but are exposed to a high level of market volatility, meaning they are susceptible to losses over the short term. As such, equities are best suited for long-term investors who are able to ride out short-term volatility in return for long-term growth potential.

Fixed-income investments, such as bonds and cash equivalents, are low-volatility investments, meaning they are much better suited to capital preservation. For this reason, members nearing retirement may prefer funds with a greater percentage of fixed income.



Asset Class	Investment Managers
Canadian equities	Greystone Managed Investments Inc.
	TD Asset Management Inc.
	GlobeFlex Capital, L.P.
	Hillsdale Investment Management Inc.
Foreign equities	Hansberger Global Investors, Inc.
	TD Asset Management Inc.
	BlackRock Asset Management Canada Ltd.
	Tweedy, Browne Company LLC
	Franklin Templeton Investments Corp.
Real estate	Greystone Managed Investments Inc.
Bonds	Greystone Managed Investments Inc.
	TD Asset Management Inc.
Cash & equivalents	TD Asset Management Inc.
Short-term Bonds	Greystone Managed Investments Inc.

Members will want to make an investment choice that fits their risk tolerance and investment profile. PEPP's seven investment options offer members a range from the Accelerated Growth Fund, an equity-based fund, to the Conservative Fund, invested mainly in fixed-income investments, to the Short-term Bond Fund, invested solely in fixed income investments.

The PEPP Steps Fund, the default investment fund for the Plan, is an asset allocation fund that automatically moves members to more conservative investments every five years. Equity holdings decrease and bond holdings increase by increments of approximately five per cent for each step.

Investments

PEPP Investments – Year in Review

The year ended March 31, 2010 was one of the best in the Plan's history, a welcome change from the 2008-2009 year – the worst in PEPP's history. The 2008-2009 Plan year saw negative returns for all investment options excluding the Short-term Bond Fund, most with double-digit negative returns. 2009-2010 saw larger, double-digit positive returns for all investment options except the Short-term Bond Fund.

The 2008-2009 Plan year saw the worst equity returns in decades across the globe in a market crash dubbed by some as the "Great Recession." Starting in March 2009, global equity markets began to see recoveries that were sustained through March 2010. The world has never seen such a dramatic decline in global markets followed by such a dramatic, rapid recovery.

Canadian bond markets saw modest returns of roughly five per cent, but approached zero per cent for money market investments. Many foreign equity markets experienced returns from 45 per cent to 65 per cent in their local markets (or hedged), but these returns were only 20 per cent to 35 per cent with the currency impacts from a strengthening Canadian Dollar (or unhedged). Real estate investment returns varied greatly by region and type of investment (whether commercial or industrial, newly developed or mature), but many real estate markets saw small or significant declines in value.

Despite the remarkable returns for the last year, most equity markets remain below the levels seen before the market declines from September 2008. While there are positive signs of improvement in global economies and investor confidence is on the rise, many financial markets continue to show considerable volatility which often indicates uncertainty regarding future returns.

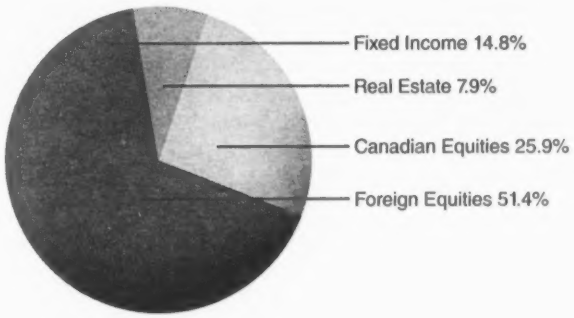
Investments

Investment Options

Accelerated Growth Fund

The Accelerated Growth Fund offers the highest risk and highest potential return. The goal of this fund is to provide capital growth over the long term. It invests primarily in equities.

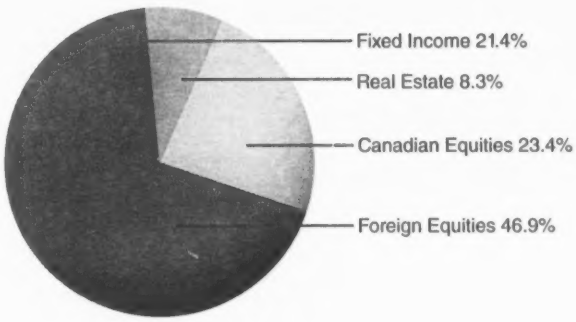
The Accelerated Growth Fund provided a gross annualized return of 28.0%; 27.6% net of fees. Fees for this fund were 0.42% at March 31, 2010. Foreign currency exposure for this fund is 33.3% (foreign exposure of 51.5%, less hedged exposure of 18.2%).



Growth Fund

The Growth Fund is an aggressive fund, offering relatively high risk and relatively high potential return. Its goal is to provide capital growth over the long term by investing largely in equities.

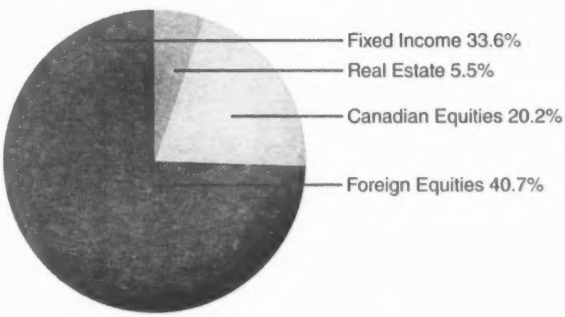
The Growth Fund provided a gross annualized return of 24.4%; 24.0% net of fees. Fees for this fund were 0.39% at March 31, 2010. Foreign currency exposure for this fund is 31.1% (foreign exposure of 47.0%, less hedged exposure of 15.9%).



Balanced Fund

The Balanced Fund offers relatively balanced potential risk and return. Its goal is to provide long-term capital growth. The Balanced Fund provides a target weight of 65 per cent for equities and real estate.

The Balanced Fund provided a gross annualized return of 21.4%; 21.1% net of fees. Fees for this fund were 0.34% at March 31, 2010. Foreign currency exposure for this fund is 28.7% (foreign exposure of 40.7%, less hedged exposure of 12.0%).



Investments

Moderate Fund

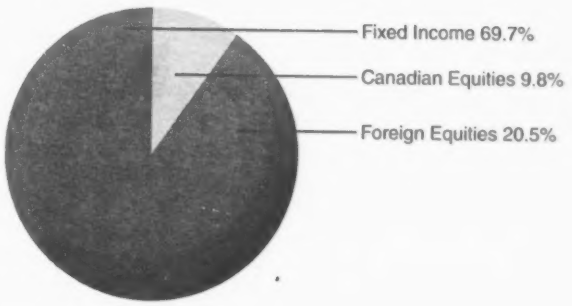
The Moderate Fund is designed to provide a balance of security and long-term growth by balancing the risk and potential returns of the major asset classes. It invests almost equally in fixed income and equities with a small allocation to real estate.

The Moderate Fund provided a gross annualized return of 17.8%; 17.5% net of fees. Fees for this fund were 0.32% at March 31, 2010. Foreign currency exposure for this fund is 24.1% (foreign exposure of 34.8%, less hedged exposure of 10.7%).

Conservative Fund

The Conservative Fund is designed to provide returns with little fluctuation. By focusing mainly on fixed income investments, it offers lower risk and lower potential for return than other PEPP asset allocation funds.

The Conservative Fund provided a gross annualized return of 11.7%; 11.5% net of fees. Fees for this fund were 0.24% at March 31, 2010. Foreign currency exposure for this fund is 17.3% (foreign exposure of 20.6%, less hedged exposure of 3.3%).



PEPP Steps Fund

The PEPP Steps Fund is the default investment option for the Plan. It is made up of a diversified investment portfolio, which automatically moves members to more conservative investments in five-year intervals. Equity holdings decrease and bond holdings increase by increments of about five per cent for each step.

Because of its unique structure, the PEPP Steps Fund will not have a single rate of return or fee level. Fees will range from 0.42% for PEPP Step 1 to 0.24% for PEPP Step 12.

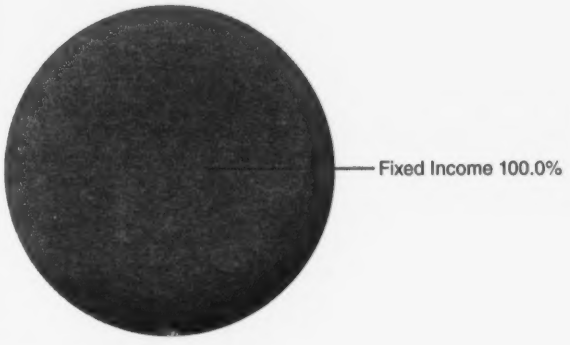
PEPP Step	Canadian Equities	Foreign Equities	Real Estate	Fixed Income
1	25.9	51.4	7.9	14.8
2	26.4	43.2	8.5	21.9
3	23.4	46.9	8.3	21.4
4	23.4	39.3	5.8	31.5
5	20.2	40.7	5.5	33.6
6	19.8	34.2	5.9	40.1
7	17.8	30.8	5.8	45.6
8	17.4	34.8	3.4	44.4
9	15.2	26.1	3.2	55.5
10	13.3	23.7	3.2	59.8
11	12.2	23.7	0.0	64.1
12	9.8	20.5	0.0	69.7

Investments

Short-term Bond Fund

The Short-term Bond Fund is the most conservative investment choice within PEPP and offers the lowest potential risks and returns. Because its goal is to preserve capital, it invests strictly in bonds with a maturity of five years or less.

The Short-term Bond Fund provided a gross annualized return of 3.8%; 3.6% net of administration fees. Administration fees for this fund were 0.22% at March 31, 2010. There is no foreign currency exposure for this fund.



Target Asset Mix

The Board has adopted a Statement of Investment Policies and Goals (SIP&G) for the Plan to guide the Board in carrying out its duties pertaining to the investment of Plan assets.

As indicated in the overview section, members of the Plan can choose to invest in any asset allocation fund and/or the Short-term Bond Fund. Each investment option has a target asset mix for the asset classes that it invests in. Each investment option can fluctuate somewhat higher or lower than these target asset mixes, but only within approved ranges as identified in the SIP&G. *Table 1.0* shows the target asset mix for each investment option.

Fund Name	Equities			Real Estate	Fixed income (%)	Cash & equivalents (%)	Short-term bonds (%)
	Canadian (%)	U.S. (%)	Non-N. Amercian (%)				
Accelerated Growth	26.0	25.5	26.0	7.5	14.0	1.0	0.0
Growth	22.5	22.5	22.5	7.5	24.0	1.0	0.0
Balanced	20.0	20.0	20.0	5.0	34.0	1.0	0.0
Moderate	16.0	16.0	15.5	2.5	49.0	1.0	0.0
Conservative	10.0	10.0	10.0	0.0	60.0	10.0	0.0
Short-term Bond	0.0	0.0	0.0	0.0	0.0	0.0	100.0
PEPP Steps	10.0 - 26.0	10.0 - 25.5	10.0 - 26.0	0.0- 7.5	14.0 - 60.0	1.0 - 10.0	0.0

Table 1.0

Investments

Investment Managers

Within each asset class, one or more investment managers are used for each investment option. The use of different managers allows for further diversification of the investments within each investment option. Use of different investment managers allows the Plan to employ different investment styles that can focus on different regions or sectors for investment, reducing the risk that any one region, sector or style may suffer during any economic cycle or event.

Investment Manager Mandates

Investment Manager	Mandate	Description
GlobeFlex Capital, L.P. (GlobeFlex)	Canadian Equities	GlobeFlex actively manages small cap Canadian equities.
Greystone Managed Investments Inc. (Greystone)	Canadian Equities	Greystone actively manages Canadian equities.
	U.S. Equities	Greystone actively manages U.S. equities, without currency hedging.
	Real Estate	Greystone actively manages real estate.
	Fixed Income	Greystone actively manages fixed income.
	Short-term Fixed Income	Greystone actively manages the Short-term Bond Fund.
Hansberger Global Investors, Inc. (Hansberger)	Non-North American Equities	Hansberger actively manages non-North American equities, without currency hedging.
Hillsdale Investment Management Inc. (Hillsdale)	Canadian Equities	Hillsdale actively manages small and mid cap Canadian equities.
Crestline Investors Inc (Crestline)*	Hedge Funds	Crestline actively manages a fund of hedge funds mandate. This mandate is in full redemption.
BlackRock Asset Management Canada Ltd. (BlackRock)**	U.S. Equities	BlackRock actively manages small and mid cap U.S. equities, with currency hedging.
TD Asset Management Inc. (TDAM)	Canadian Equities	TDAM passively manages Canadian equities.
	U.S. Equities	TDAM passively manages U.S. equities, without currency hedging.
	Fixed Income	TDAM passively manages fixed income.
Franklin Templeton Investments Corp. (Templeton)	Non-North American Equities	Templeton actively manages non-North American equities, without currency hedging.
Tweedy, Browne Company LLC (Tweedy)	Non-North American Equities	Tweedy actively manages non-North American equities, with currency hedging.

Table 1.1

* During 2009, the Board terminated the U.S. equity mandate managed by Northwater Capital Management Inc. (Northwater). A less liquid portion of this mandate, consisting of a fund of hedge funds, is still held by the Plan and is being redeemed. Subsequent to termination, Northwater sold its fund of hedge funds operations to Crestline.

** In 2009, the liquid portion of the Northwater mandate was redeemed and transitionally managed by State Street Global Markets Canada Inc. (State Street). In February 2010, all assets with State Street were transitioned to BlackRock.

Investments

Investment Manager Definitions

Term	Definition
Active management	Managers who actively buy or sell securities based on judgment and analysis.
Currency hedging	A strategy that allows investment in foreign securities without being impacted by changes in foreign exchange rates. Without currency hedging, investments whose value in local markets may not change may still increase or decrease in value due to changes in foreign exchange rates.
Hedge funds	Professionally managed portfolios of investments that use advanced investment strategies, and may include derivatives, long and short positions, etc. in order to increase returns and/or decrease risk.
Mid cap equities	Shares of average companies, commonly between $2-10 billion in market value of all shares.
Passive management	Managers who buy or sell securities to match a specific benchmark or index.
Small cap equities	Shares of small companies, commonly under $2 billion in market value of all shares.

Investment Manager Weightings

Canadian Equity (%)

Investment Manager	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Steps Fund	Short-term Bond Fund
GlobeFlex	5.0	4.0	2.5	2.0	0.0	0.0 - 5.0	0.0
Greystone	16.0	11.5	10.0	5.0	3.0	3.0 - 16.0	0.0
Hillsdale	5.0	4.0	2.5	2.0	0.0	0.0 - 5.0	0.0
TDAM	0.0	3.0	5.0	7.0	7.0	0.0 - 7.0	0.0
Sub-total	26.0	22.5	20.0	16.0	10.0	10.0 - 26.0	0.0

U.S. Equity (%)

Investment Manager	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Steps Fund	Short-term Bond Fund
Greystone	9.5	6.5	5.0	5.0	3.0	3.0 - 9.5	0.0
BlackRock	10.0	8.0	5.0	4.0	0.0	0.0 - 10.0	0.0
TDAM	6.0	8.0	10.0	7.0	7.0	6.0 - 10.0	0.0
Sub-total	25.5	22.5	20.0	16.0	10.0	10.0 - 25.5	0.0

Non-North American Equity (%)

Investment Manage	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Steps Fund	Short-term Bond Fund
Hansberger (Greystone)*	6.5	6.0	5.0	4.0	2.5	2.5 - 6.5	0.0
Templeton	13.0	11.0	10.0	7.5	5.0	5.0 - 13.0	0.0
Tweedy	6.5	5.5	5.0	4.0	2.5	2.5 - 6.5	0.0
Sub-total	26.0	22.5	20.0	15.5	10.0	10.0 - 26.0	0.0
Foreign Equity (%)	51.5	45.0	40.0	31.5	20.0		

** NOTE: Hansberger manages this mandate as a sub-advisor to Greystone.*

Investments

Fixed Income (%)

Investment Manager	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Steps Fund	Short-term Bond Fund
Greystone	10.0	10.0	10.0	10.0	10.0	10.0	0.0
TDAM	4.0	14.0	24.0	39.0	50.0	4.0 - 50.0	0.0
Greystone Short-term Bonds	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Sub-total	14.0	24.0	34.0	49.0	60.0	14.0 - 60.0	100.0

Real Estate (%)

Investment Manager	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Steps Fund	Short-term Bond Fund
Greystone	7.5	7.5	5.0	2.5	0.0	0.0 - 7.5	0.0
Sub-total	7.5	7.5	5.0	2.5	0.0	0.0 - 7.5	0.0

Cash & Equivalents (%)

Investment Manager	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Steps Fund	Short-term Bond Fund
TDAM	1.0	1.0	1.0	1.0	10.0	1.0 - 10.0	0.0
Sub-total	1.0	1.0	1.0	1.0	10.0	1.0-10.0	0.0

Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Investments

Investment Performance

The Board retains eight investment managers to invest the assets of the Plan. Those managers employing an "active" investment management style are given the objective of "out-performing" the market index or benchmark selected for their mandate. Managers employing a "passive" investment management style are given the objective of equalling the market index or benchmark selected for their mandate.

Canadian Equities	Net Rate of Return (%)	
	1 Year Return	4 Year Return
Canadian Equity Managers		
Greystone (active manager)	39.6	1.7
TDAM (passive manager)	42.1	2.8
Benchmark (TSX/S&P Capped Composite Index)	*42.1*	*2.7*
***Canadian Small/Mid Cap Equity Manager**		
Hillsdale (active manager)	45.4	n/a
Benchmark (TSX/S&P Completion Index)	*62.1*	*n/a*
***Canadian Small Cap Equity Manager**		
GlobeFlex (active manager)	58.4	n/a
Benchmark (BMO Small Cap Index)	*85.6*	*n/a*

** New mandate in 2007 - no four-year returns to report.*

U.S. Equities	Net Rate of Return (%)	
	1 Year Return	4 Year Return
U.S. Equity Managers		
Greystone (active manager)	11.8	(3.1)
TDAM (passive manager)	20.7	(3.8)
Benchmark (S&P500 Index $Cdn)	*20.8*	*(3.8)*
U.S. Mid Cap Equity Manager		
Crestline (fund of hedge funds manager)*	52.5	(12.7)
Benchmark (S&P400 Mid Cap Index - Hedged)	*55.6*	*(1.3)*

** Rates of return are for Northwater prior to 2010.*

Non-North American Equities	Net Rate of Return (%)	
	1 Year Return	4 Year Return
Non-North American Equity Managers		
Hansberger (active manager)	32.9	(2.3)
Templeton (active manager)	28.6	(2.8)
Benchmark (MSCI EAFE Index - $Cdn)	*24.5*	*(4.3)*
Hedged Non-North American Equity Manager		
Tweedy (active manager)	46.9	(2.4)
Benchmark (MSCI EAFE Index - Hedged)	*42.6*	*(3.8)*

Investments

Fixed Income	Net Rate of Return (%)	
	1 Year Return	4 Year Return
Canadian Bond Managers		
Greystone (active manager)	8.1	5.9
TDAM (passive manager)	5.2	5.2
Benchmark (DEX Universe Bond Index)	*5.1*	*5.3*
Short-term Bonds		
Greystone (active manager)	3.7	5.2
Benchmark (DEX Short-term Bond Index)	*3.3*	*5.3*

Real Estate	Net Rate of Return (%)	
	1 Year Return	4 Year Return
Real Estate Manager		
Greystone (active manager)	(2.7)	10.4
Benchmark (Investment Property Databank)	*1.4*	*8.8*

Cash and Equivalents	Net Rate of Return (%)	
	1 Year Return	4 Year Return
Money Market Manager		
TDAM (active manager)	0.7	n/a
Benchmark (DEX 91-Day T-Bill Index)	*0.3*	*n/a*

NOTE: Net rate of return reported above. Prior annual reports reported gross rates of return.

Investments

Investment Manager Fees

For the year ended March 31, 2010, the fees paid to the investment managers for the Plan are shown in *Table 1.2*.

Investment Manager Fees ($ thousands)	
Greystone Managed Investments Inc.	2,400
Tweedy, Browne Company LLC	2,582
Franklin Templeton Investments Corp.	1,652
Northwater Capital Management Inc./ Crestline Investors Inc. *	122
Hillsdale Investment Management Inc.	643
TD Asset Management Inc.	349
GlobeFlex Capital L.P.	715
BlackRock Asset Management Canada Ltd.	125
Total investment manager fees	**8,588**

Table 1.2

NOTE: No fees are shown for Hansberger, the sub-advisor to Greystone for their Non-North American equity mandate. The Board pays all fees for this mandate to Greystone, who in turn compensates Hansberger.

Monitoring Investment Performance

The Board retains Hewitt Associates to assist in the evaluation of the performance of the investment funds and the investment managers. Hewitt Associates measures the performance and reports to the Board. In addition to performance measurement, Hewitt Associates provides research and analysis to the Board regarding financial markets, investment managers and market trends. Hewitt Associates was paid $128,000 in fees for the year ended March 31, 2010.

Investment Custody and Valuation

The Board retains RBC Dexia Investor Services Trust as the custodian of the Plan. The custodian is responsible for custody of all financial assets of the Plan (in the name of PEPP) and settles all investment transactions and ensures all investment income (dividends, interest) is collected. The custodian also reports all investment transactions and conducts valuation for the Plan. The custodian was paid $862,000 for the year ended March 31, 2010.

Investment Administration

The Public Employees Benefits Agency (PEBA) is retained by the Board for administration of the Plan's investment program. This includes declaring unit values for all investment options, monitoring of investment performance, communications with external investment managers and the investment consultant, research, compliance monitoring and managing asset mix and cash flows.

Plan Administration

The Board has delegated the day-to-day administration of the Plan and management of its assets to PEBA. The cost for this is charged to the fund.

PEBA is a branch of the Ministry of Finance. PEBA administers a wide range of pension and benefit plans.

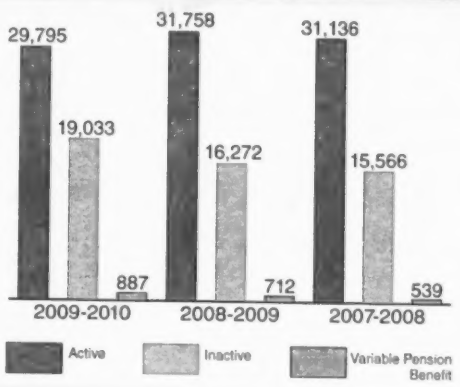
Under contract with the Board, PEBA provides all services required to operate, administer and manage the Plan in a manner consistent with and according to all statutory provisions and regulations that apply to the Plan. To administer the Plan, PEBA:

- maintains all member and accounting records;
- collects and deposits contributions to the Fund;
- transfers contributions to the custodian of the Fund for investment;
- determines all questions of coverage, eligibility and methods of providing or arranging for the provision of benefits;
- calculates and pays all pension benefits;
- communicates with members and participating employers; and
- prepares the annual report.

PEBA also provides Senior Executive Officer services and Executive Secretary services to the Board.

In 2009-2010, the Board paid PEBA $5,035,804 for administrative services.

Membership Distribution

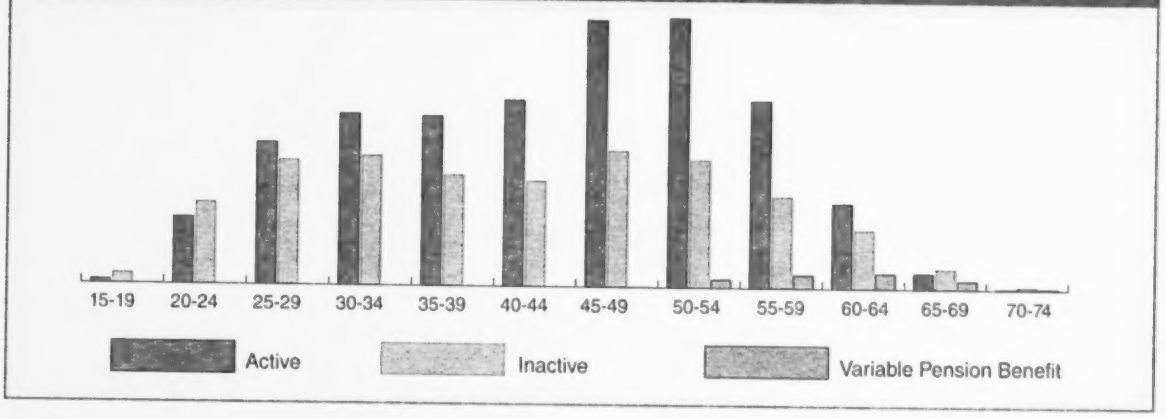


Membership Activity

Membership at March 31, 2009	**48,742**
Add:	
PEPP Enrolment during year	2,666
Variable Pension (VP) Benefit enrolment	300
Less:	
Members exiting	1,993
Membership at March 31, 2010	**49,715**

Table 1.3

Distribution of Membership by Age



Plan Administration

PEBA reports measurement against standards to the Board quarterly. *Table 1.4* and *Table 1.5* provide measurement results for the 2009-2010 year.

PEBA Service Standards April 1, 2009 to March 31, 2010

Task	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	*Standard (Days)	**Statutory Requirement (Days)
Statement on Termination of Membership (Option Letter)	4,034	3,906	96.8	5	90
Payment of Termination Benefits	1,397	1,376	98.5	5	-
Statement on Retirement (Option Letter)	230	223	97.0	5	90
Retirement Payments	1,582	1,550	98.0	5	-
Statement on Death (Option Letter)	40	39	97.5	5	90
Payment of Death Benefits	87	84	96.6	5	-
Pension Estimates - Variable Pension Benefit	497	487	98.0	5	-
Pension Estimates - Annuity	526	511	97.1	5	-
Marriage Break Up Estimates	79	70	88.6	5	-
Portability Transfer Values	45	42	93.3	5	-
Written Correspondence	Not Measured	Not Measured	N/A	5	-
Total	**8,517**	**8,288**	**97.3**		

Table 1.4

PEBA Periodic Requirements April 1, 2009 to March 31, 2010

Task	Completed	Number that Meet or Exceed Standard	% that Meet or Exceed Standard	*Standard (Days)	**Statutory Requirement (Days)
Member Statement	2	2	100	75	180
Reporting of Budget Variance	4	4	100	Quarterly	-
Proposed Annual Budget	1	1	100	By March 31	-
Performance Measurement	4	4	100	Quarterly	-
Boards Decision Affecting Individual Clients	N/A	N/A	N/A	1 Month	-
Newsletter *(Pension Perspectives)*	4	4	100	Semi-annually	-
Total	15	15	100		

* Standard is set within the contract between the Board and PEBA.
** Statutory Requirement is a compliance standard within *The Pension Benefits Act, 1992 and Regulations, 1993.*

Table 1.5

Public Employees Pension Board

The Public Employees Pension Board (the Board) administers PEPP. The Board has the fiduciary responsibility for administering PEPP and managing the investment activities in the best interests of all PEPP members.

The Board consists of nine members: four are appointed on behalf of participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term. At March 31, 2010, the Board was composed of members listed in *Table 1.6.*

Members of the Board receive no compensation for the performance of their roles as Board members. They are remunerated for reasonable expenses for attending Board meetings and other functions in their capacity as Board members.

The Chair is remunerated with a retainer and a per-meeting fee paid in accordance with a fee schedule set by the Board.

Public Employees Pension Board Members at March 31, 2010

Name	Position	Appointing Body
Kenneth R. Horsman	Chair	Public Employees Pension Board
Michael Friebe	Vice-Chair	Canadian Union of Public Employees 600
Grant Ring	Member	SaskEnergy, SaskPower, SaskTel
Jack Duvall	Member	Saskatchewan Government and General Employees' Union
Sean Engemoen	Member	Saskatchewan Institute of Applied Science and Technology Saskatchewan Liquor and Gaming Authority
Pat Field	Member	Communications, Energy and Paperworkers Union
Derrick Goulet	Member	International Brotherhood of Electrical Workers Union Local 2067
Denise Macza	Member	Public Service Commission
Cathy Uhersky	Member	Saskatchewan Crop Insurance Corporation, Workers' Compensation Board, Saskatchewan Cancer Foundation

Table 1.6

The Board's Purpose

The primary purpose of the Public Employees Pension Plan is to provide lifetime retirement benefits to members.

The Board's Mission

The Public Employees Pension Plan's mission is to provide members with a means of saving for retirement, a flexible way to receive retirement income and pension services.

Public Employees Pension Board

Education

The Board has an education program for Board members. The purpose of the program is to ensure Board members possess a sound knowledge and understanding of pension related issues. The Board budgets $5,000 per year for each Board member for registration fees. Other expenses are reimbursed at rates established by the Saskatchewan Public Service Commission. *Table 1.7* lists the education events attended by Board members to March 31, 2010.

Seminars, Courses and Other Events Attended by Board Members in 2009-2010

		Expenses		
Board Member	**Education Events Attended**	**Registration Fees**	**Other**	**Total**
Ken Horsman	• Western Governance Conference • Annual Pension Information Session (PEBA) • CPBI Luncheon and Presentation • CPBI Luncheon and Presentation	$1,490.24	$872.45	$3,362.69
Michael Friebe	• CFA[1] Greystone Dinner • Annual Pension Information Session (PEBA)	-	$425.38	$425.38
Grant Ring	• Greystone Education Session • Annual Pension Information Session (PEBA) • Marcus Evans Canadian Institutional Investors Summit	-	-	-
Jack Duvall	• SPIM[2] • Annual Pension Information Session (PEBA) • ATMS Part IV • Canadian Investment and Public Sector Conference	$5,275.00	$1,353.65	$6,628.65
Sean Engemoen	• ATMS[3] Part IV • Annual Pension Information Session (PEBA)	$1,450.00	$1,795.04	$3,245.04
Pat Field	• CPBI Luncheon and Presentation • Annual Pension Information Session (PEBA)	$47.62	-	$47.62
Derrick Goulet	• Annual Pension Information Session (PEBA) • ACPM[4] 2009 National Conference	$1,795.35	$1,872.21	$3,667.56
Denise Macza	• ATMS Part IV • Annual Pension Information Session (PEBA)	$1,360.00	$1,496.51	$2,856.51
Cathy Uhersky	• Annual Pension Information Session (PEBA) • CPBI[5] Spring Seminar • ACPM 2009 National Conference	$1,998.80	$1,746.22	$3,745.02

[1] Chartered Financial Analyst
[2] School of Pension Investment Management
[3] Advanced Trustee Management Standards
[4] Association of Canadian Pension Management
[5] Canadian Pension and Benefits Institute

Table 1.7

Public Employees Pension Board

Meeting Attendance

The Board met 10 times in the 2009-2010 fiscal year. *Table 1.8* shows the number of meetings each Board member attended.

Board Member	Number of Meetings Attended
Kenneth R. Horsman	10
Michael Friebe	10
Grant Ring	9
Jack Duvall	8
Sean Engemoen	8
Pat Field	10
Derrick Goulet	10
Denise Macza	8
Cathy Uhersky	10

Table 1.8

Contracted Services

The Board is ultimately responsible for the Plan's administration, communication and investment activities. To discharge these responsibilities, the Board uses the services of various organizations.

The Board contracts with PEBA to provide administrative services for the Plan.

PEBA is responsible for ensuring that all transactions are made in accordance with *The Public Employees Pension Act, The Pension Benefits Act, 1992*, and their related regulations.

The Board retains RBC Dexia Investor Services Trust as the Plan custodian and Hewitt Associates as the investment consultant. The Board also retains the nine investment managers listed in *Table 1.1* on page 11.

Strategic Goals

The Board has adopted a comprehensive governance process that includes regular strategic planning and risk assessment. The strategic business plan has been developed within the context of the Plan's purpose, mission and goals.

Goals

The strategic goals of the PEPP Strategic Business Plan 2008-2009 to 2010-2011 include:

A. Service Delivery, Design and Communications:

Plan members have access to pension services and information which meet their needs.

B. Plan Growth:

Identify and respond to opportunities which could foster the growth of the Plan.

C. Plan Governance:

The Board strives to demonstrate best practices of pension plan governance.

D. Accountability:

Performance of the Plan and the Board's service providers is measured, managed, and reported.

In 2010-2011, the Board will update its strategic business plan. Strategic business plans are constructed on a rolling three-year basis.

Strategic Initiatives

A. Service Delivery, Design and Communications

The Board recognizes the delivery of pension services to Plan members as a priority of the Plan. The Board is determined to identify, assess, and where appropriate, implement opportunities to add value to the services the Plan provides to its members. The Board realizes the importance of ensuring that Plan design and delivery meet Plan member needs.

The Board also recognizes the need to maintain an effective communications strategy that supports Plan member needs and the Board's strategic objectives. The Board must facilitate two-way communication with stakeholders to gather their feedback.

The Board has made considerable progress with respect to this goal, including:

- The creation of the Variable Pension Benefit;
- The addition of PEPP *Access* online services and Retire@Ease retirement planning tool; and
- The addition of investment options through the implementation of Investment Choice.

The Board has three primary objectives in its pursuit of this goal:

- Maintain an up-to-date suite of products and services that meet evolving member needs.
- Support member understanding of the Plan, including individual member benefits and responsibilities. Provide relevant, timely and accurate information which is easy to understand.
- Allocate resources to maximize effectiveness and efficiency of services provided to Plan members.

Initiatives and Activities Planned and Accomplished in 2009 – 2010

- *Define the Plan's role in the provision of financial advice to members. Conduct research regarding the provision of financial advice and develop a recommended service delivery model.*
  - In 2009-2010, PEPP analyzed the results of the December 2008 survey of PEPP members, which indicated that a majority of members want financial advice and that a majority of members do not want to pay for that advice.
  - Potential service delivery options were identified and research into the options has commenced.
- *Enhance member self-service by expanding online capabilities.*
  - In May 2009, PEPP implemented changes to PEPP *Access*, the Plan's online account information tool, to allow member to make changes to their investment choices via the internet. The Plan allows members two transfers for free. Any transfers exceeding that are charged a cost-recovery fee. The online service provides members a lower-cost alternative to submitting paper forms.
  - In May 2009, PEPP implemented changes to Retire*With*Ease, the Plan's online retirement planning tool, to provide information on the economic and investment assumptions used in calculations, to allow sharing of Canada Pension Plan benefits in calculations, and to allow members to save their calculations under custom names for future use.
- *Update suite of investment products. Review the investment policy regarding alternative asset classes and asset allocation.*
  - Research into asset classes commenced, and it was found that this initiative should be coordinated with the initiative to review the Plan's investment management structure. Research was conducted into linking the

initiatives, and an overall framework for reviewing the Plan's investment options was developed.

- *Develop and implement targeted communication strategies based on the communication needs of different groups of Plan members (for example, retirees and active members) – communications that are targeted based on members' position in the pension life-cycle and investment knowledge.*

  - The PEPP website was divided into new member, working and contributing member, and retiring member lifecycles. Members can more easily find information suited to them. Communications are now being developed within those lifecycles in print and online. Member statements are being segmented to reach member lifecycles and will be developed to make communications more specific.

- *Assess the feasibility of using electronic media in order to enhance efficiency in providing information to members. Assess areas where print media could be replaced with electronic media, such as with respect to member statements and newsletters.*

  - PEPP commenced collecting information via a survey item in PEPP *Access* to allow members to state their preferred method of receiving correspondence.

Activities planned for 2010-2011

- Define the Plan's role in the provision of financial advice to members. Conduct research regarding the provision of financial advice and develop a recommended service delivery model.

- Assess feasibility of enhancing self-service by identifying expansion of online capabilities, research service delivery options, and decide on a course of action.

- Update suite of investment products. Review the investment policy regarding alternative asset classes and asset allocation.

Strategic Initiatives

B. Plan Growth

Identify and respond to opportunities which could foster the growth of the Plan.

As the largest defined contribution pension plan in Canada, PEPP is able to use economies of scale in effectively providing a wide range of services to its members. In this regard, continued growth of the Plan is in the best interest of all members. The Board recognizes the importance of responding to opportunities which would foster the growth of the Plan.

While growth from external sources may be beneficial to the Plan, the Board's focus will be on the retention of existing members.

The Board's has two primary objectives in its pursuit of this goal:

- Retain retired and inactive Plan members.
- Explore opportunities for growth beyond the current Plan membership.

Other factors that have been identified as integral to achieving this goal include:

- The variety of services ensuring that they are competitive with the financial services industry;
- Staff who are seen as dedicated pension professionals;
- Service available via a number of distribution methods – paper, phone, on-line and in person; and
- Ensuring that the member is the first priority.

Initiatives and Activities Planned and Accomplished in 2009 – 2010

- *Develop marketing strategies to increase loyalty of existing Plan members.*
  - The Plan implemented new loyalty-focused termination and retirement option letters.
  - PEPP commenced providing Investment Basics and PEPP Overview presentations to increase the level of service provided to new and existing members.
  - PEPP reviewed the results of the December 2008 member survey for opportunities to increase member loyalty through addressing member preferences.
- *Develop marketing strategies to encourage public sector employers to participate in the Plan.*
  - The Board has determined that a formal marketing strategy is not warranted. PEPP has explored a number of opportunities for public-sector employers to join the Plan as they have occurred.
- *Explore and respond to opportunities with other public-sector employers as they occur.*

Other Initiatives and Activities Planned and Accomplished in 2009 – 2010

- *PEPP reviewed and revised member services.*
  - The Retire*With*Ease presentation was revised and updated, with an emphasis on the advantages of the Plan in a portion of the presentation.
  - An Investment Basics presentation was created and promoted to employers and members.
  - The PEPP Overview presentation has been streamlined with an emphasis on major plan provisions and services.
  - PEBA is now hosting presentations to provide

expanded access to members in more locations around the province.

- The Retire@Ease Statement project was launched in 2009. It will address comments included in the PEPP Member Survey. These statements are designed to assist members in answering retirement planning questions and to provide information on meeting retirement goals. The statement should also encourage greater use of the online Retire@Ease planning tool. Statements are planned to be mailed to members in June 2010.

Activities planned for 2010-2011

- Continuing strategies to increase the loyalty of existing Plan members.

Strategic Initiatives

C. Plan Governance

Pension plan governance refers to the roles and responsibilities of the Board and its delegates in respect of a pension plan to fulfill their fiduciary obligations. The Board strives to demonstrate leading practices of pension plan governance.

The Board recognizes that good governance is crucial to the long-term success of the Plan. Good governance requires appropriate control mechanisms that encourage good decision-making, proper and timely execution, and regular review and assessment. The Board has invested considerable effort in developing its governance practices and policies, and will continue to implement and maintain its governance program.

Several ongoing initiatives have been implemented in this area, including:

- Annual self-assessment based on Canadian Association of Pension Supervisory Authorities Guidelines;
- Annual self-assessment and periodic external assessment against the Guidelines for Capital Accumulation Plans and best practices; and
- The creation of a Board Policy Manual with ongoing policy development.

The Board's primary objectives in its pursuit of this goal is to further integrate best practices into its administration of the Plan.

Initiatives and Activities Planned and Accomplished in 2009-2010

- *Review Board practices, areas of focus, and Board/Management roles and responsibilities.*
  - The Board developed a plan to address items identified by the third-party audit of its governance system conducted in 2008-2009. The activities listed below represent steps the Board has taken as a result of the findings of the governance audit.
  - The Board participated in a governance benchmarking survey to ascertain how its governance practices compare with those of other public and private-sector pension boards and whether there are areas in which the Board could improve. The Board will receive the results of the survey in 2010 and formulate a plan for any areas that can be improved.
  - The Board consulted with personnel from the Ministry of Justice and Attorney General for information on the legal aspects of Board decisions and any potential issues related to considering advice from experts in making decisions.
- *Review the Act to determine if any changes are required, particularly with respect to the Plan's purpose.*
  - Research confirmed that the stated purpose of the Plan remains appropriate.

Activities planned for 2010-2011

- Review Board practices, areas of focus, and Board/Management roles and responsibilities.

Strategic Initiatives

D. Accountability

Performance of the Plan and the Board's service providers is measured, managed and reported.

Effective Plan management requires a strong focus on accountability, the basis of which is the establishment of measurable objectives, the monitoring of progress against these objectives, and the communication of the results to Plan stakeholders.

The Board has made considerable progress with respect to this goal, including:

- The establishment of service standards with the Plan administrator;
- The development and implementation of a strategic plan; and
- Annual Board member self-assessment.

The Board has two primary objectives in its pursuit of this goal:

- To demonstrate that it is a responsible fiduciary; and
- To effectively manage service providers.

Initiatives and Activities Planned and Accomplished in 2009-2010

- *Comprehensive review of the Plan's investment policy regarding environmental, social, and governance (ESG) considerations.*
  - Research into current industry practices regarding ESG considerations continued, and a preliminary policy was developed for the Board's consideration in 2010-2011.
  - A consultant was engaged to perform an audit of all PEPP holdings with regard to ESG factors. The project is due to be completed in 2010-2011.
- *Implementation of the Balanced Scorecard.*
  - Development and implementation of Balanced Scorecard measures continued throughout 2009-2010. The following measures were developed and included in Balanced Scorecard reports for 2009-2010:
    - member retention index
    - staff research and professional development index
  - Survey postcards were developed to gather information from members who have enrolled, retired, terminated, visited PEBA, or conducted an inter-fund transfer by mailing a form to PEBA. Mail-out of the survey cards commenced in March 2010. The information will be used to calculate the following indices:
    - member satisfaction index
    - quality of member communications materials index

    These two measures will be included in the Balanced Scorecard reports in 2010-2011.
  - Throughout 2009-2010, the first year of draft Balanced Scorecard reporting, work continued on resolving issues with existing indices and on improving the report.
- *Review of relationships with service providers, including respective roles and responsibilities.*
  - Commencement of this initiative has been deferred until the completion of the initiative to review Board practices, areas of focus, and Board/management roles and responsibilities, due to the linkage between these two initiatives.

Strategic Initiatives

Activities planned for 2010-2011

- Comprehensive review of the Plan's investment policy regarding environmental, social and governance (ESG) considerations.

- Implementation of the Balanced Scorecard.

Risk Management

The Board is responsible for identifying risks that could negatively affect the operation of the pension plan, Plan members and other stakeholders. The Board evaluates the risks to which the Plan is exposed and ensures appropriate strategies are in place to manage these risks.

1. **The Board annually conducts a risk assessment review that:**

- Reviews the risk management performance for the previous year and progress made with respect to annual goals;
- Identifies and assesses the impact and probability of key Plan risks; and
- Establishes risk management strategies for the current year and identifies specific goals for the year.

The outcomes of this review are included as necessary in revisions to the Board's risk management processes.

2. **The Board has identified the following potential risks that could adversely affect the operation of the Plan:**

- Inadequate performance of assets and excessive costs and expenses;
- Inadequate performance of service providers and service provider failures;
- Non-compliance with legislative requirements and failure to meet fiduciary obligations;
- A lack of understanding by Plan members about the role of the Plan in attaining their retirement objectives, and a lack of awareness among members and employers of their rights and obligations; and
- Failure to meet the needs of Plan members and participating employers.

3. **The Board has developed and implemented these strategies and ongoing business practices to manage these risks:**

- The Board implemented a Statement of Investment Policy and Goals (SIP&G) that outlines the Board's investment beliefs and provides for risk management through diversification of asset classes, capital markets and investment managers.

  The SIP&G defines the benchmark to which investment performance is measured. The Board annually reviews the SIP&G.

- The Board communicates investment performance.
- Independent monitoring is carried out by The Board's:
  - administrator;
  - investment consultant;
  - custodian; and
  - pooled fund custodians.
- The Board ensures initiatives and Plan-related activities are adequately funded through its budgeting process.
- The Board receives a report comparing the administrative costs for public-sector pension plans, including other public-sector defined contribution pension plans annually.
- The Board reviews the performance standards for the Board's administrator, investment consultant, investment managers and custodian on a quarterly basis.
- Service providers are to have a disaster recovery plan.
- There are two levels of audit:
  - The Board retains an auditor (Deloitte & Touche LLP) to conduct an audit of the Plan.
  - The Provincial Auditor reports to the Legislative Assembly Saskatchewan regarding the audit of the Plan.

Risk Management

- The Board has an Acquisition of Service policy that details how the Board is to retain service providers.
- The Board's administrator reviews and reports compliance with legislative requirements annually.
- The Periodic Checklist is a list of major items identified by the Board that are necessary for the administration of a pension plan. The checklist allows verification that an activity has been carried out. The completed Periodic Checklist is provided to the Board on a semi-annual basis.
- Board members are required to review and sign the Board's Code of Conduct and Conflict of Interest Procedures at least annually.
- The Board has outlined the education required to aid Board members in executing their fiduciary and governance duties.
- The Board formally reviews its Strategic Business Plan on a periodic basis.
- The Board regularly consults with legal counsel and outside advisors regarding issues on which it is deliberating.
- The Board retains service providers who are experts in the responsibilities to which they are assigned with respect to the Plan.
- PEBA's staff provides retirement information seminars and individual information to Plan members.
- Information tools include member and employer seminars, employer bulletins and guides, website information and written materials.
- The Board consults with Plan members and participating employers to determine their needs.

Activities planned and accomplished in 2009-2010

- *The Board will continue to assess new investment strategies with respect to how these strategies fit with the Plan's investment objectives.*
  - The Board reviewed and amended its investment policy in May 2009.
  - The Board has a strategic initiative to review the investment options provided to members of the Plan. A framework for reviewing the Plan's investment options has been developed.
- *Periodic evaluation by the Board's administrator of the performance of the investment consultant and custodian.*
  - The Board evaluated the performance of its custodian in September 2009 and January 2010 and its investment consultant in March 2010.
- *The Board will continue to receive quarterly updates comparing actual expenditures versus budgeted amounts.*
  - The Board received quarterly updates on its budget for the periods ending June, September and December 2009, and March 2010.
- *The Board's auditor will audit PEBA's reporting of performance measures to the Board.*
  - The Board reviewed the audit of PEBA's reporting for 2008-2009 in September 2009.
  - The audit found that the statements provided upon termination of membership, retirement and death did not include two items required by *The Pension Benefits Regulations, 1993.*

- PEBA advised the Board that required changes were expected to be implemented in mid-October 2009.
- PEBA confirmed in November 2009 that the changes had been implemented.

- *The completed Periodic Checklist will be provided to the Board on a semi-annual basis.*
  - PEBA provided the Board with the final Periodic Checklist for 2008-2009 in May 2009 and the interim Periodic Checklist for the first six months of 2009-2010 in November 2009.
- *Communication of results of third-party review of CAP guidelines compliance.*
  - No single article detailing audit results was posted to the PEPP website; however each of the activities that supported the progress toward complete compliance with the guidelines was addressed in various member communications.
  - The audit called for a more prominent explanation of administrative fees. An articles about fees was included in *Pension Perspectives* and Fund Fact sheets were redesigned to better accent fees; a brochure explaining fees was developed; an article on fees was posted to the Readers' Café section of the PEPP website in February 2009. Annual performance information of investment options is updated within Fund Fact sheets and is now included in the annual report.
  - The audit called for an explanation of the personal rate of return calculation. Semi-annual member statements include information on how the personal rate of return is calculated. This information is also available on the PEPP website.
  - Letters to members on termination of participation were amended to explain what happens if no action is taken.
  - The audit made recommendations on the Plan's role in retirement saving and in discussing other sources of retirement savings. This message has been communicated in *Pension Perspectives*, is included in member enrolment kits and welcome kits, and is part of Plan presentations. The audit recommended expanding the online glossary and making it easier to find on the website; the PEPP glossary was expanded and posted to a new location on the PEPP homepage.
  - An article explaining overarching progress toward CAP compliance in recent years will be developed for the Readers' Café section of the PEPP website in 2010.

Other activities accomplished in 2009-2010

- The Board took part in a governance benchmarking survey to ascertain how its governance practices compare with the practices of other pension boards. The Board will review the results of the study in 2010-2011 and develop a plan to address any areas for improvement that are identified.

Activities planned for 2010-2011

- The Board will continue to assess new investment strategies with respect to how these strategies fit with the Plan's investment objectives.
- Continued evaluation by the Board's administrator of the performance of the auditor, investment consultant and custodian.
- The Board will continue to receive quarterly updates comparing actual expenditures to budgeted amounts.
- The Board's auditor will audit PEBA's reporting of performance measures to the Board.
- The completed Periodic Checklist will be provided to the Board on a semi-annual basis.

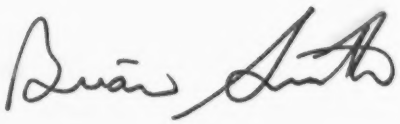
Management's Report

To the Members of the Legislative Assembly of Saskatchewan

The Public Employees Pension Board is composed of a Chairperson selected through a formal recruitment process with four members representing employees and four members representing employers. The Board is responsible for financial administration, administration of the funds and management of assets.

The financial statements, which follow, have been prepared by management in conformity with accounting principles generally accepted in Canada and have been approved by the Board. Management uses internal controls and exercises its best judgment in order that the financial statements reflect fairly the financial position of the Plan.

The financial statements were examined by Deloitte & Touche LLP. Their report follows.



Brian Smith
Assistant Deputy Minister
Public Employees Benefits Agency

Kathy Deck, CGA
Director, Financial Services
Public Employees Benefits Agency

Regina, Saskatchewan
June 18, 2010

Public Employees Pension Board

Public Employees Pension Plan

Financial Statements

Year ended March 31, 2010

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

We have audited the statement of net assets available for benefits of the Public Employees Pension Plan as at March 31, 2010 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Employees Pension Plan as at March 31, 2010 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Regina, Saskatchewan
June 18, 2010

Deloitte & Touche LLP

Public Employees Pension Plan
Statement of Net Assets Available For Benefits

Statement 1

As at March 31

	(thousands of dollars)	
	2010	**2009**
ASSETS		
Investments (Note 3)		
Short-term	$ 26,265	$ 19,966
Bonds and debentures	584,131	566,720
Equities	1,623,575	933,889
Pooled funds	1,880,403	1,737,570
Real estate	226,091	259,413
	4,340,465	3,517,558
Receivables		
Contributions receivable – employee	2,540	2,550
Contributions receivable – employer	3,067	2,616
Accrued investment income	8,361	13,857
	13,968	19,023
Cash	40,029	25,732
Due from General Revenue Fund (Note 5)	1,855	4,509
Total assets	4,396,317	3,566,822
LIABILITIES		
Administrative expenses payable	2,350	6,583
Refunds, transfers and other payables	1,268	3,241
Total liabilities	3,618	9,824
NET ASSETS AVAILABLE FOR BENEFITS	$4,392,699	$3,556,998

(See accompanying notes to the financial statements)
(See Schedule 1 for Net Assets Available for Benefits by Investment Option)

Public Employees Pension Plan **Statement 2**
Statement of Changes in Net Assets Available for Benefits

For the Year Ended March 31

	(thousands of dollars)	
	2010	**2009**
INCREASE IN ASSETS		
Investment income		
Interest	$ 25,954	$ 29,058
Pooled funds	60,308	63,046
Dividends	57,149	53,668
Real estate	5,980	13,735
Other	205	228
	149,596	159,735
Change in the market value of investments	585,355	(902,366)
Contributions		
Employee	102,770	98,550
Employer	115,302	106,340
External transfers in	12,514	6,975
	230,586	211,865
Total increase (decrease) in assets	965,537	(530,766)
DECREASE IN ASSETS		
Transfers, refunds and benefits (Note 4)	109,347	134,782
Transfer to Saskatchewan Pension Annuity Fund	2,973	3,656
Investment transaction costs	2,903	1,819
Administrative expenses (Note 6)	14,613	17,091
Total decrease in assets	129,836	157,348
Increase (decrease) in net assets	835,701	(688,114)
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	3,556,998	4,245,112
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	$4,392,699	$3,556,998

(See accompanying notes to the financial statements)
(See Schedule 2 for Statement of Changes in Net Assets Available for Benefits by Investment Option)

Public Employees Pension Plan
Notes to the Financial Statements

March 31, 2010

1. Description of Plan

The following description of the Public Employees Pension Plan is a summary only. For more complete information, reference should be made to the Plan text.

a) General

The *Public Employees Pension Plan Act* (the Act) is the legislative authority for the Public Employees Pension Plan (the Plan), which is a defined contribution plan that covers the employees of a number of government entities. Effective September 1, 2002, the Plan also covers the Members of the Legislative Assembly.

The Act established the Plan to accumulate all contributions and earnings for plan members. The Plan consists of five asset allocation Funds: the Accelerated Growth Fund; the Growth Fund; the Balanced Fund; the Moderate Fund; the Conservative Fund; one lifecycle Fund: the PEPP Steps Fund; and the Short-term Bond Fund.

All Funds receive and hold, in trust for members, contributions from the members and employers (participants) and investment income derived from the Plan's investments.

All Funds hold varying percentages of bonds, equities, real estate, mortgages, pooled funds, short-term investments and derivative financial instruments. The asset mix of each fund is established based on the expected volatility of the underlying securities and assets. The Accelerated Growth Fund is considered the most volatile and contains the highest percentage of equities relative to fixed income investments of all the funds. The Short-term Bond Fund is considered the least volatile and contains the lowest percentage of equities relative to fixed income investments.

Effective November 1, 2007, members of PEPP may choose either one of the five asset allocation funds or the PEPP Steps Fund. In addition, each member may also choose the Short-term Bond Fund.

The Plan uses a unitized method of plan participation whereby each member has a certain number of units of ownership in the net assets of the investment funds. Investment income including changes in the market value of the investments and expenses is reflected in the market value of the net asset value per unit of participation. The total available to a member upon termination or retirement is equal to the particular member's account balance at that date, subject to certain vesting and other specific rules governing the Plan.

The Plan introduced a Variable Pension Benefit option (VPB) in May 2006 whereby retired members could elect to withdraw all or some of their pension funds either through lump-sum withdrawals or scheduled monthly payments. Members who participate in the VPB may choose to invest in any of the funds which are offered by the Plan.

b) Administration

The Act established the Public Employees Pension Board (Pension Board) to administer the Plan. The Pension Board is comprised of nine members: four are appointed on behalf of

participating employers, four on behalf of employees. The Board conducts an external recruitment process to choose a Chair, who is appointed for a three-year term. The Public Employees Benefits Agency (PEBA) is under contract with the Board to provide day-to-day administration.

c) **Retirement**

Members may retire as early as age 50.

Upon retirement an employee may purchase an annuity from the Saskatchewan Pension Annuity Fund or from a private company that issues annuities.

Alternatively, the funds may be left in the Plan to continue to accumulate earnings to provide retirement income beginning no later than the end of the calendar year in which the member reaches age 71, be transferred to a Locked-in Retirement Account or, after age 50, to a Locked-in Retirement Income Fund, Life Income Fund or a Life Annuity from the Saskatchewan Pension Annuity Fund, or be transferred to another pension plan which has a reciprocal agreement with the Plan. Beginning in May 2006, a member may also choose to receive a variable pension benefit from the Public Employees Pension Plan.

Members who purchase their annuities from the Saskatchewan Pension Annuity Fund have their accumulated balance in the Plan at the date of retirement transferred to the Saskatchewan Pension Annuity Fund. Members who elect to receive a variable pension benefit retain their account balances within the Public Employees Pension Plan. A variable pension benefit is a periodic payment made from a registered plan to a member of that plan and which must conform to certain minimum payment requirements but not to any maximum payment requirements.

d) **Completeness of Contributions**

Participants are responsible for the accuracy and completeness of member contributions remitted to the Plan. Accordingly, these financial statements presume the accuracy and completeness of the participants' contributions.

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles. The following accounting policies are considered significant:

a) **Change in Accounting Policies**

Effective for its fiscal year ended March 31, 2010, the Plan adopted the Canadian Accounting Standards Board new recommendation for disclosures relating to fair value measurements. Section 3862 *Financial Instruments – Disclosures* has been amended to require enhanced disclosure for fair value measurements recognized in the balance sheet. The Plan is required to classify and disclose fair value measurements using a three-tier hierarchy based on the lowest level input that is significant to that fair value measurement.

The adoption of this amendment did not have a significant impact on the Plan's financial statements.

Effective for its fiscal year ended March 31, 2010, the Plan adopted the Canadian Accounting Standards Board new recommendations for disclosures relating to liquidity risk. Section 3862 *Financial Instruments – Disclosures* has been amended to require enhanced disclosures for liquidity risk in response to current market conditions. The Plan is required to disclose maturity analysis for derivative and non-derivative financial liabilities based on how the Plan manages its liquidity risk.

The adoption of this amendment did not have a significant impact on the Plan's financial statements.

Effective for its fiscal year ended March 31, 2010 the Plan adopted the CICA's Abstract No. 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC – 173"). EIC-173 requires an entity to take into account its own credit risk and the credit risk of counterparties when determining the fair value of financial assets and financial liabilities, including derivative instruments, and is required to be applied retrospectively without restatement. The adoption of this abstract did not have a material impact on the Plan's financial statements.

b) **Investments**

Investments are stated at fair value. The change in the fair value of investments at the beginning and end of each year is reflected in the statement of changes in net assets available for benefits.

Fair value of investments is determined as follows:

Short term investments are valued at cost which, together with accrued investment income, approximates fair value given the short term nature of these investments.

Bonds and equities are valued at year-end quoted bid prices from recognized security dealers and accredited stock exchanges on which the security is principally traded.

Pooled fund investments are valued at the unit value supplied by the pooled fund administrator, which represent the underlying net assets of the pooled fund at fair values determined using closing bid prices.

Real estate is valued using market values from independent appraisals.

Investments in derivative financial instruments, including futures, forwards and option contracts, are valued at year end quoted market prices where available. Where quoted market prices are not available, values are determined using pricing models, which take into account current market and contractual prices of the underlying instruments, as well as time value and yield curve or volatility factors underlying the position.

c) **Investment Income and Transaction Costs**

Investment income, which is recorded on the accrual basis, includes interest income, dividends and real estate operating income. Investment transactions are recorded on the trade date.

Brokers' commissions and other transaction costs are recognized in the statement of changes in net assets available for benefits in the period incurred.

d) **Foreign Currency Translation**

Monetary items denominated in foreign currency are translated at the exchange rate in effect at year-end. Investments, revenue and expense items are translated at the exchange rate in effect at the transaction date. Gains and losses arising on translation at year-end are included in the change in market value of the investments.

e) **Income Taxes**

The Plan is a registered pension plan, as defined by the *Income Tax Act* (Canada) and, accordingly, is not subject to income taxes.

f) **Use of Estimates**

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the recorded amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the recorded amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the valuation of investments. Actual results could differ from these estimates.

g) **Future Accounting Policy Change**

The Canadian Accounting Standards Board (AcSB) has decided that while the use of International Financial Reporting Standards (IFRS) will be required for Canadian publicly accountable enterprises for fiscal years beginning on or after January 1, 2011, these standards will not be applicable to pension plans. In February 2010, the AcSB approved Section 4600, Pension Plans, as Part IV of the Handbook with an issuance date of April 2010. The new Section is based on existing Section 4100, Pension Plans, in Part V of the Handbook, with the same substantive modifications including increased disclosures. The standards will apply for annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Plan is currently evaluating the impact that these new standards will have on the financial statements.

3. Investments

Short-term Investments

Short-term investments are comprised of treasury bills, notes and commercial paper with effective rates of 0.00% to 0.40% (2009 – 0.10% to 0.40%), and an average remaining term to maturity of 61 days (2009 - 50 days).

The Plan's investment policy states that investments must meet a minimum investment standard of "R1" or equivalent rating by a recognized credit rating service.

Other than the Government of Canada, no single issue represents more than 28.54% (2009 – 31.52%) of the market value of the short-term investment portfolio.

Bonds and Debentures

(in thousands of dollars)

Years to Maturity	2010 Federal	Provincial	Corporate	Municipal	Total	Yield to Maturity	Coupon Rate	2009 Total	Yield to Maturity	Coupon Rate
Under 5	169,124	21,656	133,342	-	324,122	3.68%	0.48-6.75	321,187	4.32%	1.69-6.75
5 – 10	12,357	26,726	59,768	12,635	111,486	4.51%	2.26-6.02	122,002	5.10%	3.75-7.50
Over 10	30,662	53,921	62,262	1,678	148,523	4.95%	0.00-11.0	123,531	5.40%	3.75-11.0
Market Value	212,143	102,303	255,372	14,313	584,131			566,720		

Included in the above amounts of corporate bonds are foreign bonds, issued in Canadian currency, with a market value of $6,991,339 (2009 - $7,523,289). Actual maturity may differ from contractual maturity because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties. As at March 31, 2010, approximately $6.6 million (2009 - $7.1 million) in mortgage backed securities is included in bonds. The Plan has determined that the mortgage backed securities are not impaired.

Equities

The Plan's investment policy allows no one holding to represent more than 10% of the book value of the related portfolio and no one holding to represent more than 10% of the common stock in any corporation. As at March 31, 2010, the market value of the Plan's foreign equity investments in Canadian dollars amounted to $1,011 Million (2009 - $553 Million) and included currencies from regions around the world including Australia, Croatia, Europe, Hong Kong, Japan, South Korea, Mexico, New Zealand, Norway, Singapore, Sweden, Switzerland, Taiwan, United Kingdom, and United States. Foreign equities represent 62.29% (2009 – 59.17%) of the market value of the directly held equity portfolio.

Dividends are generally declared on an annual basis. The Plan's equities include common shares that have no fixed maturity date and are generally not exposed to interest rate risk. The average dividend rate is 3.91% (2009 – 3.84%).

The Plan has entered into foreign exchange forwards contracts to hedge some of its foreign currency exposure in equities. Foreign exchange forwards contracts are obligations in which two counterparties agree to exchange one currency for another at a specified price for settlement on a predetermined date in the future. Contracts are traded over the counter. Counterparties to forward contracts must have credit ratings of 'A' or better.

The Non North American Equity mandate managed by Tweedy Browne Company LLC and the US Equity mandate managed by BlackRock Asset Management Company Ltd. include currency hedging programs to reduce the impact of foreign currency changes on the Plan. Forward contracts are used to hedge the foreign currency exposure within the mandate as indicated in the following table.

The following table summarizes the Plan's foreign exchange forwards contracts at March 31, 2010:

FOREIGN EXCHANGE FORWARD CONTRACTS

(in thousands of dollars)

		2010			2009		
# of Contracts	Currency	Market Value	Notional Value*	Gain (Loss)	Market Value	Notional Value*	Gain (Loss)
	Canadian Dollar	392,171	392,171	-	86,717	86,717	-
22	European Euro	(71,003)	(79,350)	8,347	(34,078)	(32,300)	(1,778)
6	Hong Kong Dollar	(1,216)	(1,280)	64	(1,030)	(1,030)	-
16	Japanese Yen	(23,735)	(25,815)	2,080	(19,625)	(15,754)	(3,871)
11	Mexican Nevo Peso	(4,633)	(4,650)	17	(2,789)	(2,750)	(39)
2	New Zealand Dollar	(372)	(370)	(2)	(196)	(211)	15
14	Norwegian Kroner	(3,758)	(3,950)	192	(764)	(732)	(32)
18	Pound Sterling	(25,228)	(28,800)	3,572	(9,254)	(10,031)	777
7	Singapore Dollar	(1,048)	(1,110)	62	(309)	(259)	(50)
12	South Korean Won	(8,384)	(8,300)	(84)	(10,805)	(10,969)	164
14	Swiss Franc	(17,711)	(19,070)	1,359	(10,425)	(8,958)	(1,467)
10	US Dollar	(210,667)	(219,476)	8,809	(4,448)	(3,723)	(725)
		24,416	**-**	**24,416**	**(7,006)**	**-**	**(7,006)**

* Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows, and is therefore not recorded in the financial statements. Maturity dates range from April 09 2010 to April 08 2011.

Pooled Funds

The Plan limits its investments in synthetic pooled funds to the Newcastle Enhanced Mid Cap Fund. This exposure can reach as much as 12% of the market value of the Accelerated Growth Fund or as little as 0% of the Conservative Fund. The Plan's units in pooled funds have no fixed interest rate and the returns are based on the success of the fund manager.

The Plan's pooled funds are comprised of:

	Units Held (in thousands)		% of Total Units Outstanding		Market Value (in thousands)	
	2010	2009	2010	2009	2010	2009
Canadian Equity						
TD Emerald Canadian Market Capped Pooled Fund Trust	14,970	146,768	3.88	61.89	$202,369	$142,512
Newcastle Enhanced Mid Cap Fund	-	9,430	-	100.00	-	245,683
Hillsdale US Performance Equity Pooled Fund	113	124	8.64	14.33	8,630	6,379
Global Equity						
Greystone EAFE Growth Fund	23,800	16,740	19.31	15.21	212,541	114,340
Fixed Income Fund						
TD Emerald Canadian Bond Pooled Fund Trust	93,346	80,234	23.59	20.86	983,937	841,579
Other						
Trent River Offshore Class A	2	-	0.14	-	24,810	-
Trent River Offshore Class R1	2	-	0.13	-	23,378	-
TD Emerald Pooled U.S. Fund	22,259	21,795	23.81	27.41	372,427	308,077
TD Emerald Canadian Short Term Investment Fund	5,216	7,877	1.99	3.53	52,311	79,000
					$1,880,403	$1,737,570

The Trent River Offshore Limited Fund at March 31, 2010 consists of $50.0 million (2009 - $149.3 million) invested in market neutral hedge funds. The hedge funds use a variety of investment strategies.

The TD Emerald Canadian Market Capped Pooled Fund Trust may invest in equity index futures to replicate the return of the S&P/TSX Composite Index components.

The TD Emerald Pooled U.S. Fund may invest in equity index futures to replicate the return of the S&P 500 Composite Index components.

The TD Emerald Canadian Bond Pooled Fund Trust may not invest in any derivative investments.

The Hillsdale US Performance Equity Pooled Fund may utilize forward contracts, swaps, futures contracts, options and other investments to hedge against currency or to achieve its investment objectives.

The TD Emerald Canadian Short Term Investment Fund may use derivatives such as options, futures, forward contracts and swaps provided the reasons for use are consistent with the Fund's objectives and strategies. The Fund does not use derivatives for speculative trading or to create a portfolio with excess leverage.

The Greystone EAFE Growth Fund, which is a fund of funds, may invest in futures contracts, forward contracts, or other derivatives provided the reasons for doing so are consistent with the investment objectives of the pooled fund.

Real Estate

Investments in real estate consist of Canadian commercial property in different geographical locations across the country.

The Plan holds $220.3 million (2009 - $30.2 million) in the Greystone Real Estate pooled fund. This represents 14.13% (2009 – 3.91%) of the total outstanding units of this pooled fund.

Fair Value

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments values using inputs that are not based on observable market data are classified as Level 3.

The following table classifies the Plan's required financial instruments within a fair value hierarchy:

(thousands of dollars)

	Level 1	Level 2	Level 3	Total
Bonds and debentures	$ -	$ 584,131	$ -	$ 584,131
Pooled income fund	896,467	983,936	-	1,880,403
Short-term	26,265	-	-	26,265
Real estate funds	-	-	226,091	226,091
Equities	1,599,159	24,416	-	1,623,575
Total	$2,521,891	$1,592,483	$226,091	$4,340,465

Fair Value measurements using level 3 inputs

	Real Estate	Total
Balance at April 1, 2009	$259,413	$259,413
Net Purchases and sales	(39,180)	(39,180)
Net Transfer in (out)	-	-
Gains (Losses)		
Realized	60,253	60,253
Unrealized	(54,395)	(54,395)
Balance at March 31, 2010	$226,091	$226,091

4. Transfers, Refunds and Benefits

	(in thousands of dollars) 2010	2009
Termination refunds	$ 3,692	$ 2,665
Death and lump sum benefits	9,362	7,863
Variable pension benefits	27,018	27,379
Marital transfers	1,558	3,042
Transfers to registered retirement savings plans and to private companies providing annuities	64,009	90,189
Transfers out	3,708	3,644
	$109,347	$134,782

5. Due from General Revenue Fund

The Plan's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan.

The Plan's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis to the Plan's bank accounts using the Government's thirty day borrowing rate and the Plan's average bank account balance. The Government's average 30 day borrowing rate in 2010 was 0.27% (2009 – 1.95%).

6. Administration Expenses

The annual operating expenditures associated with the Plan's administration are paid to the Public Employees Benefits Agency Revolving Fund except for custodial fees and investment management fees, which are paid directly.

	(thousands of dollars) 2010		2009	
	Budget	Actual	Budget	Actual
	(unaudited)		(unaudited)	
Administration costs	$ 6,415	$5,163	$ 6,166	$ 5,017
Custodial fees	962	862	884	1,111
Investment management fees	8,005	8,588	12,275	10,963
	$15,382	$14,613	$19,325	$17,091

7. Financial Risk Management

The nature of the Plan's operations results in a statement of net assets available for benefits that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk, foreign exchange risk and equity price risk) and liquidity risk.

Significant financial risks are related to the Plan's investments. These financial risks are managed by having an investment policy, which is approved annually by the Board. The investment policy provides guidelines to the Plan's investments managers for the asset mix of the portfolio regarding quality and quantity of fixed term investments, real estate and equity investments. The asset mix helps to reduce the impact of market value fluctuations by requiring investments in different asset classes and in domestic and foreign markets. Derivatives are allowed within the Plan to hedge against losses and substitute for direct investment. The Board's policy prevents the use of derivatives for speculative trading or to create a portfolio with leverage. The PEBA reviews and reports on regular compliance reports from its investment managers and custodian as to their compliance with the investment policy. The PEBA also reviews and reports on regular compliance reports from its custodian as to the investment managers' compliance with the investment policy.

Credit risk

Credit risk is the risk that one party does not pay funds owed to another party. The Plan's credit risk arises primarily from two distinct sources: accounts receivable and certain investments. The maximum credit risk to which it is exposed at March 31, 2010 is limited to the carrying value of the financial assets summarized as follows:

	(thousands of dollars)	
	2010	**2009**
	Carrying value	Carrying value
Cash	$ 40,029	$ 25,732
Accounts receivable	13,968	19,023
Fixed income investments[1]	1,646,644	1,507,266
Due from the General Revenue Fund	1,855	4,509

[1] Includes short-term investments, money market fund, bonds and debentures, and the fixed income pooled fund.

Accounts receivable are primarily made up of employee and employer contributions receivable and accrued investment income. Employee and employer contributions receivable are generally received in less than 30 days. Accrued investment income is received on the next scheduled payment date, generally either annually or semi-annually.

Credit risk within investments is primarily related to short-term investments, bonds and debentures, and the fixed income pooled funds. It is managed through the investment policy that limits fixed term investments to those of high credit quality (minimum rating for bonds, BBB, and for short-term investments is R-1) along with limits to the maximum notional amount of exposure with respect to any one issuer.

Credit ratings for bonds and debentures are as follows:

Credit Rating	2010		2009	
	Fair Value (thousands of dollars)	Makeup of Portfolio (%)	Fair Value (thousands of dollars)	Makeup of Portfolio (%)
AAA	$285,112	48.81	$233,396	41.18
AA	146,940	25.16	168,265	29.70
A	117,482	20.11	141,294	24.93
BBB	34,597	5.92	23,765	4.19
Total	$584,131	100.00	$566,720	100.00

Within bonds and debentures, there are no holdings from one issuer, other than the Government of Canada or a Canadian province, over 2.48% (2009 – 1.43%) of the market value of the combined bonds and debentures and short term investment portfolios. No one holding of a province is over 1.57% (2009 – 1.30%) of the market value of the bond and debentures portfolio.

The Plan is also subject to credit risk through its use of forward currency contracts. The contracts are entered into between the Plan and approved counterparties. The credit risk is mitigated by limiting counterparties to specific entities approved by the Board and by settling contracts on a semi-annual basis. The currency manager must receive approval from the Board prior to engaging a new counterparty.

Market risk

Market risk represents the potential for loss from changes in the value of financial instruments. Value can be affected by changes in interest rates, foreign exchange rates and equity prices. Market risk primarily impacts the value of investments.

Interest rate risk

The Plan is exposed to changes in interest rates in its fixed income investments, including short-term investments, bonds and debentures and the fixed income pooled funds. Duration is a measure used to estimate the extent market values of fixed income instruments change with changes in interest rates. Using this measure, it is estimated that a 100 basis point increase in interest rates would decrease net assets available for benefits by $92.1 million at March 31, 2010; representing 5.9% of the $1,561 million fair value of fixed income investments. Conversely, a decrease in interest rates of 100 basis points would increase net assets available for benefits by $92.1 million at March 31, 2010; representing 5.9% of the $1,561 million fair value of fixed income investments.

Foreign exchange

The Plan is subject to changes in the U.S./Canadian dollar exchange rate for U.S. denominated investments. Also, the Plan is exposed to EAFE (Europe, Australasia and Far East) currencies through its investment in foreign equity funds. At March 31, 2010, the Plan's exposure to U.S. equities was 19.58% (2009 – 20.96%) and its exposure to non-north American equities was 18.26% (2009 – 13.84%).

At March 31, 2010, a 10% appreciation in the Canadian dollar versus U.S. dollar exchange rate would result in approximately a $65.4 million decrease in net assets available for benefits. A 10% weakening in the Canadian dollar versus the EAFE currencies would result in approximately a $59.2 million increase in the net assets available for benefits.

The Plan's exposure to exchange rate risk resulting from the purchase of goods and services are not considered material to the operations of the Plan. The Plan has mitigated its exposure to foreign exchange through the use of derivatives as in Note 3. As at March 31, 2010, the Plan's foreign exchange exposure net of derivatives is $1,245 million. A 10% change in the exchange rate would equate to a net change of $124 million.

Equity prices

The Plan is exposed to changes in equity prices in Canadian, U.S. and EAFE markets. Equities comprise 56.4% (2009 – 50.12%) of the carrying value of the Plan's total investments. Individual stock holdings are diversified by geography, industry type and corporate entity. No one investee represents greater than 10% of the market value of the Plan. As well, no one holding represents more than 30% of the voting shares of any corporation.

The following table indicates the approximate change that could be anticipated to the increase in net assets available for benefits based on changes in the Plan's benchmark indices March 31, 2010:

	(Change in thousands of $)	
	10% increase	10% decrease
S&P/TSX Composite Index	$81,498	$(81,498)
S&P 500 Index	85,848	(85,848)
MSCI EAFE Index	80,085	(80,085)

Securities collateral

At March 31, 2010, no Plan assets have been deposited or pledged as collateral or margin. As part of the Plan's securities lending strategy, collateral has been pledged to the Plan by various counterparties for securities out on loan to the counterparties. At March 31, 2010, the total amount of collateral pledged to the Plan amounted to $318.8 million (2009 - $260.5 million).
Security lending obtains collateral of at least 105% of the market value of the securities lent. Such loans must be secured by cash and/or readily marketable government bonds, treasury bills and /or letters of credit, discount notes and banker's acceptances of Canadian chartered banks.

Real Estate

Risk in the real estate portfolio is managed through diversification across types and locations. Adverse impacts in any one segment of the market or geographic location are minimized by having holdings diversified across property type, geographic location and investment size.

Liquidity risk

Liquidity risk is the risk that the Plan's unable to meet its financial obligations as they fall due. Cash resources are managed on a daily basis based on anticipated cash flows.

8. Related Party Transactions

All Government of Saskatchewan agencies such as ministries, corporations, boards and commissions are related since all are controlled by the Government. Also, the Plan is related to non-crown enterprises that the Government jointly owns or significantly influences. Costs charged by the Public Employees Benefits Agency Revolving Fund in administering the Plan are reflected in these financial statements.

The Plan holds $12,955,202 (2009 - $12,886,338) Province of Saskatchewan Bonds and Debentures with a yield of 4.88% (2009 – 4.85%). Investment income including change in market value of $702,719 (2009 - $389,900) was recorded from the Province of Saskatchewan Bonds and Debentures.

The Plan has an accounts payable balance as at March 31, 2010 of $165,584 (2009 - $313,239) due to the Public Employees Benefits Agency Revolving Fund.

Other related party transactions are disclosed separately in these financial statements. Account balances resulting from the above transactions are included in the statement of net assets available for benefits and are settled at agreed upon exchange rates.

9. Fair Value of Financial Assets and Liabilities

For the following financial assets and liabilities the carrying amount approximates fair value due to their immediate or short-term maturity:

a) contributions receivable
b) accrued investment income
c) due from General Revenue Fund
d) administrative expenses payable
e) refunds, transfers and other payables

The fair value of investments is disclosed in Note 3.

10. Comparative Figures

The prior year figures were reported on by another accountant.

11. Value of Members' Accounts

In accordance with Canadian generally accepted accounting principles, various accruals are included in the Statement of Net Assets Available for Benefits. However, only transactions that were processed and unitized during the fiscal year ending March 31, 2010 are reflected in the unitized account balances of members at year-end. The total value of members' unitized accounts at March 31, 2010 was $4,383 Million (2009 – $3,543 Million).

Investment income including changes in the market value of the investments (investment performance) and expenses is reflected in the market value of the net asset value per unit of participation and is determined daily. Investment and administration expenses relating to each Fund are accrued to or paid from the Fund prior to establishing its daily unit price. The Funds' unit price will increase or decrease according to the Funds' investment performance after expenses.

Fund transactions are processed using forward pricing. This means they are processed at the next unit price set after the Plan receives contributions or requests for transfers, refunds and benefits.

Fund transactions may be suspended temporarily at management's discretion where an accurate unit price for a Fund cannot be determined due to the unavailability of reliable market pricing or other asset valuations.

On November 1, 2007, the Plan introduced a new fund structure whereby members may choose either one of the five asset allocation Funds or the PEPP Steps Fund. In addition, each member may also choose the Short-term Bond Fund. The PEPP Steps Fund is comprised of twelve separate Funds, five of which are the asset allocation Funds. In all, there are thirteen separate Funds. The Balanced Fund (PEPP Step 5) and Short-term Bond Fund are the same Funds as in previous years.

The following table shows some selected data for each of the Funds:

	2010				2009			
	Units	Net asset value per unit	Total Net Assets (000's)	Return %	Units	Net asset value per unit	Total Net Assets (000's)	Return %
PEPP Step 1 (Accelerated Growth Fund)	1,161,430	86.7951	$ 100,806	27.6%	903,692	68.0421	$ 61,489	-27.1%
PEPP Step 2	41,375	89.7376	3,713	26.3%	22,278	71.0395	1,583	-24.4%
PEPP Step 3 (Growth Fund)	1,766,802	91.2059	161,143	24.0%	1,571,428	73.5421	115,566	-22.7%
PEPP Step 4	140,725	92.7524	13,053	23.1%	105,250	75.3680	7,933	-21.1%
PEPP Step 5 (Balanced Fund)	31,591,214	114.9310	3,630,810	21.1%	30,974,289	94.8850	2,938,995	-18.8%
PEPP Step 6	180,238	97.1499	17,510	19.7%	166,437	81.1739	13,511	-16.6%
PEPP Step 7	293,641	99.3396	29,170	18.0%	272,660	84.2157	22,962	-14.4%
PEPP Step 8 (Moderate Fund)	1,238,374	100.0143	123,855	17.5%	1,083,295	85.0963	92,184	-13.6%
PEPP Step 9	299,961	101.4478	30,430	15.9%	239,660	87.5573	20,984	-11.6%
PEPP Step 10	219,555	103.8803	22,808	13.9%	136,635	91.1858	12,459	-8.9%
PEPP Step 11	61,376	103.0760	6,326	12.5%	40,188	91.6537	3,683	-8.9%
PEPP Step 12 (Conservative Fund)	489,826	106.0207	51,932	11.5%	408,502	95.1010	38,849	-6.0%
Short-term Bond Fund	1,566,120	122.4722	191,806	3.6%	1,806,493	118.2229	213,569	6.8%
Total Net Assets			$4,383,362				$3,543,767	

Public Employees Pension Plan **Schedule 1**
Investment Options:
Statement of Net Assets Available for Benefits
As at March 31, 2010

(in thousands of dollars)	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Step 1	Subtotal
ASSETS							
Investments							
Short-term	628	937	22,606	557	325	2	25,055
Bonds and debentures	9,457	14,106	340,179	8,389	4,886	26	377,043
Equities	38,938	58,077	1,400,617	34,540	20,115	109	1,552,396
Pooled Funds	45,097	67,264	1,622,174	40,004	23,297	126	1,797,962
Real Estate	5,422	8,088	195,045	4,810	2,801	15	216,181
	99,542	148,472	3,580,621	88,300	51,424	278	3,968,637
Receivables							
Contributions receivable - employee	65	97	2,042	58	34	-	2,296
Contributions receivable - employer	64	95	2,585	56	32	-	2,832
Accrued investment income	152	227	5,470	135	79	-	6,063
	281	419	10,097	249	145	-	11,191
Cash	1,104	1,550	33,815	831	485	11	37,796
Due from General Revenue Fund	43	63	1,529	38	22	-	1,695
Total assets	100,970	150,504	3,626,062	89,418	52,076	289	4,019,319
LIABILITIES							
Liabilities							
Admin expenses payable	54	80	1,939	48	28	-	2,149
Refunds, transfers, other	29	43	1,047	26	15	-	1,160
Total liabilities	83	123	2,986	74	43	-	3,309
NET ASSETS AVAILABLE FOR BENEFITS	**100,887**	**150,381**	**3,623,076**	**89,344**	**52,033**	**289**	**4,016,010**

Public Employees Pension Plan **Schedule 1**
Investment Options:
Statement of Net Assets Available for Benefits
As at March 31, 2010

(in thousands of dollars)	PEPP Step 2	PEPP Step 3	PEPP Step 4	PEPP Step 5	PEPP Step 6	PEPP Step 7	Subtotal
ASSETS							
Investments							
Short-term	23	70	82	93	109	182	559
Bonds and debentures	349	1,054	1,228	1,398	1,647	2,744	8,420
Equities	1,438	4,340	5,056	5,758	6,782	11,299	34,673
Pooled Funds	1,666	5,027	5,856	6,669	7,855	13,086	40,159
Real Estate	200	604	704	802	944	1,573	4,827
	3,676	11,095	12,926	14,720	17,337	28,884	88,638
Receivables							
Contributions receivable - employee	2	7	8	10	11	19	57
Contributions receivable - employer	3	7	9	9	11	18	57
Accrued investment income	6	17	20	22	26	44	135
	11	31	37	41	48	81	249
Cash	97	196	201	230	206	311	1,241
Due from General Revenue Fund	2	5	6	6	7	12	38
Total assets	3,786	11,327	13,170	14,997	17,598	29,288	90,166
LIABILITIES							
Liabilities							
Admin expenses payable	2	6	7	8	9	16	48
Refunds, transfers, other	1	3	4	4	5	8	25
Total liabilities	3	9	11	12	14	24	73
NET ASSETS AVAILABLE FOR BENEFITS	**3,783**	**11,318**	**13,159**	**14,985**	**17,584**	**29,264**	**90,093**

Public Employees Pension Plan **Schedule 1**
Investment Options:
Statement of Net Assets Available for Benefits
As at March 31, 2010

(in thousands of dollars)	PEPP Step 8	PEPP Step 9	PEPP Step 10	PEPP Step 11	PEPP Step 12	Short-term Bond Fund	Subtotal	Total
ASSETS								
Investments								
Short-term	217	190	143	40	-	61	651	26,265
Bonds and debentures	3,263	2,863	2,146	595	-	189,801	198,668	584,131
Equities	13,434	11,787	8,834	2,451	-	-	36,506	1,623,575
Pooled Funds	15,560	13,652	10,232	2,838	-	-	42,282	1,880,403
Real Estate	1,871	1,641	1,230	341	-	-	5,083	226,091
	34,345	30,133	22,585	6,265	-	189,862	283,190	4,340,465
Receivables								
Contributions receivable - employee	23	20	15	4	-	125	187	2,540
Contributions receivable - employer	21	19	14	4	-	120	178	3,067
Accrued investment income	52	46	34	10	-	2,021	2,163	8,361
	96	85	63	18	-	2,266	2,528	13,968
Cash	326	284	199	53	1	129	992	40,029
Due from General Revenue Fund	15	13	10	3	-	81	122	1,855
Total assets	34,782	30,515	22,857	6,339	1	192,338	286,832	4,396,317
LIABILITIES								
Liabilities								
Admin expenses payable	19	16	12	3	-	103	153	2,350
Refunds, transfers, other	10	9	7	2	-	55	83	1,268
Total liabilities	29	25	19	5	-	158	236	3,618
NET ASSETS AVAILABLE FOR BENEFITS	**34,753**	**30,490**	**22,838**	**6,334**	**1**	**192,180**	**286,596**	**4,392,699**

Public Employees Pension Plan **Schedule 2**
Investment Options:
Statement of Changes in Net Assets Available for Benefits
For the Year Ended March 31, 2010

(In thousands of dollars)	Accelerated Growth Fund	Growth Fund	Balanced Fund	Moderate Fund	Conservative Fund	PEPP Step 1	Subtotal
INCREASE IN ASSETS							
Investment income							
Interest	387	640	15,499	410	244	-	17,180
Pooled funds	428	1,437	52,410	1,897	1,244	1	57,417
Dividends	1,901	2,464	49,820	961	273	2	55,421
Real estate	180	299	5,245	86	-	-	5,810
Other	19	5	47	17	10	14	112
	2,915	4,845	123,021	3,371	1,771	17	135,940
Change in market value of investments	16,225	22,439	513,693	6,088	3,165	87	561,697
Contributions							
Employee	4,399	5,109	76,684	1,811	1,006	124	89,133
Employer	5,113	5,959	86,237	2,039	1,125	137	100,610
External transfers in	649	742	9,518	179	88	4	11,180
Interfund transfers net	11,887	3,216	(27,000)	8,077	9,479	(207)	5,452
	22,048	15,026	145,439	12,106	11,698	58	206,375
Total increase in assets	41,188	42,310	782,153	21,565	16,634	162	904,012
DECREASE IN ASSETS							
Transfers, refunds and benefits	1,726	1,830	84,523	2,593	3,336	45	94,053
Transfer to Saskatchewan Pension	-	-	-	-	-	-	-
Annuity Fund	-	-	1,940	365	-	-	2,305
Investment transaction costs	62	100	2,529	61	35	-	2,787
Administrative expenses	369	577	12,078	333	171	1	13,529
Total decrease in assets	2,157	2,507	101,070	3,352	3,542	46	112,674
(Decrease) increase in net assets	39,031	39,803	681,083	18,213	13,092	116	791,338
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	61,856	110,578	2,941,993	71,131	38,941	173	3,224,672
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**100,887**	**150,381**	**3,623,076**	**89,344**	**52,033**	**289**	**4,016,010**

Public Employees Pension Plan **Schedule 2**
Investment Options:
Statement of Changes in Net Assets Available for Benefits
For the Year Ended March 31, 2010

(in thousands of dollars)	PEPP Step 2	PEPP Step 3	PEPP Step 4	PEPP Step 5	PEPP Step 6	PEPP Step 7	Subtotal
INCREASE IN ASSETS							
Investment income							
Interest	13	16	51	28	75	123	306
Pooled funds	23	52	146	156	285	527	1,189
Dividends	58	96	187	134	215	313	1,003
Real estate	6	9	17	9	25	42	108
Other	30	15	7	4	5	3	64
	130	188	408	331	605	1,008	2,670
Change in market value of investments	464	2,242	1,754	2,173	2,248	3,337	12,218
Contributions							
Employee	1,028	1,662	1,465	1,628	937	1,089	7,809
Employer	1,163	1,902	1,709	1,828	1,066	1,273	8,941
External transfers in	76	153	131	171	105	119	755
Interfund transfers net	(504)	(401)	(127)	(104)	(810)	(303)	(2,249)
	1,763	3,316	3,178	3,523	1,298	2,178	15,256
Total increase in assets	2,357	5,746	5,340	6,027	4,151	6,523	30,144
DECREASE IN ASSETS							
Transfers, refunds and benefits	214	253	173	207	102	222	1,171
Transfer to Saskatchewan Pension	-	-	-	-	-	-	-
Annuity Fund	-	-	-	-	-	-	-
Investment transaction costs	2	6	8	10	12	20	58
Administrative expenses	13	34	48	56	67	109	327
Total decrease in assets	229	293	229	273	181	351	1,556
(Decrease) increase in net assets	2,128	5,453	5,111	5,754	3,970	6,172	28,588
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	1,655	5,865	8,048	9,231	13,614	23,092	61,505
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**3,783**	**11,318**	**13,159**	**14,985**	**17,584**	**29,264**	**90,093**

Public Employees Pension Plan **Schedule 2**
Investment Options:
Statement of Changes in Net Assets Available for Benefits
For the Year Ended March 31, 2010

(in thousands of dollars)	PEPP Step 8	PEPP Step 9	PEPP Step 10	PEPP Step 11	PEPP Step 12	Short-term Bond Fund	Subtotal	Total
INCREASE IN ASSETS								
Investment income								
Interest	103	119	84	26	-	8,136	8,468	25,954
Pooled funds	539	596	436	131	-	-	1,702	60,308
Dividends	290	250	150	35	-	-	725	57,149
Real estate	22	24	16	-	-	-	62	5,980
Other	3	-	-	-	-	26	29	205
	957	989	686	192	-	8,162	10,986	149,596
Change in market value of investments	7,250	2,627	1,423	389	1	(250)	11,440	585,355
Contributions								-
Employee	729	590	264	52	-	4,193	5,828	102,770
Employer	813	671	285	59	-	3,923	5,751	115,302
External transfers in	79	66	37	7	-	390	579	12,514
Interfund transfers net	3,752	5,424	7,824	2,082	-	(22,285)	(3,203)	-
	5,373	6,751	8,410	2,200	-	(13,779)	8,955	230,586
Total increase in assets	13,580	10,367	10,519	2,781	1	(5,867)	31,381	965,537
DECREASE IN ASSETS								
Transfers, refunds and benefits	101	810	96	110	-	13,006	14,123	109,347
Transfer to Saskatchewan Pension	-	-	-	-	-	-	-	-
Annuity Fund	-	-	-	-	-	668	668	2,973
Investment transaction costs	22	19	14	3	-	-	58	2,903
Administrative expenses	114	105	70	18	-	450	757	14,613
Total decrease in assets	237	934	180	131	-	14,124	15,606	129,836
(Decrease) increase in net assets	13,343	9,433	10,339	2,650	1	(19,991)	15,775	835,701
NET ASSETS AVAILABLE FOR BENEFITS, BEGINNING OF YEAR	21,410	21,057	12,499	3,684	-	212,171	270,821	3,556,998
NET ASSETS AVAILABLE FOR BENEFITS, END OF YEAR	**34,753**	**30,490**	**22,838**	**6,334**	**1**	**192,180**	**286,596**	**4,392,699**